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MIFIDPRU Chapter (Pillar III) 8 disclosures

Record Currency Management Limited

March 2025

Contents

Executive summary

This document is prepared to provide public disclosures, as required under Chapter 8 of the IFPR framework. These disclosures include risk management objectives, governance arrangements, own funds held vs. own funds requirement, and the remuneration policy and practices.

Record Currency Management Limited is a MIFIDPRU 75k licenced investment firm and a wholly owned subsidiary of Record plc, which is listed on the main market of the London Stock Exchange. Record plc take a groupwide approach to risk management, governance and remuneration and therefore this document makes reference to policies established at Record plc and adopted by its subsidiaries.

For any further questions, please contact BusinessRisk@recordfg.com.

Risk management objectives and processes

a) Business introduction

Founded in 1983, Record Financial Group, through its subsidiary Record Currency Management Limited, has predominantly operated as an independent, specialist currency and derivatives manager, with a focus on risk-reduction and return-seeking objectives. Our clients are largely institutions, including pension funds, charities, foundations, endowments, and family offices, as well as other fund managers and corporate clients.

The Group's main geographical markets are the UK, North America, Australia and Continental Europe, in particular Switzerland. The Group's Head Office is in London, UK.

Record plc, the holding company, has a premium listing on the Main Market of the London Stock Exchange.

b) Group Risk Framework

The Group Risk Framework exists to ensure that all identified and relevant risks are managed to within their respective risk appetites, which are defined and formally agreed by the respective Boards.

The Boards accept the need to embrace certain risks to execute the Group strategy. Each risk identified is outlined in the Risk Register, along with a corresponding risk appetite.

The majority of identified risks are managed to within their respective appetites; where a Risk is rated 'Outside Appetite', there are corresponding remedial actions and timelines.

The Group Risk Framework, adopted across the Group, seeks to identify, evaluate and manage risks through five elements:

1. Risk register, identification and assessment;
2. Systems and controls;
3. Approvals (including for new vendors and partnerships, new and amended products, new systems, new Group investments, etc.);
4. Incident evaluation;
5. Key risk indicators.

The Board has determined that the Group Risk Framework is fit for purpose on the basis that:

- it has identified, and actively monitors, a comprehensive range of risks to the business and potential harms to our clients and the market;
- the control environment is independently tested;
- the Framework facilitates regular and substantive Board-level discussions;
- the Board is confident there is a mechanism to remediate risks which fall outside of their respective appetites; and
- the process by which risks are evaluated is appropriate for the nature of the business.

c) Principal risks of the Record Currency Management ("RCML") entity

The principal Risk Categories, which reflect potential harms to the business, our clients and the markets in which we operate, are outlined in the Risk Register and are:

Risk Category	Selected Risks within Category	Management responsible for Risks
Systems	• Internal and external systems • Data security and cyber • Business continuity	Paul Sheath – Head of Technology
Operational	• Trade configuration and execution • Settlement • Client and regulatory reporting • Internal reporting • Trade confirmation • Trade and cash reconciliation	Nathan Vurgest – Head of Trading Matt Bushell – COO

Investment	• Product design and performance • Market and liquidity • Appropriate client and marketing research • Competitive threats • Concentration risks to revenue • Counterparty default • Distribution of third-party products • Servicing of clients	Jan Witte – CEO
Financial & Fraud	• Fraud • Insurance • Treasury, liquidity and capital adequacy • Exogenous risk • Financial error • Client credit • Running costs •	Richard Heading – CFO / Head of Risk
Legal & Regulatory	• Client onboarding • Contractual • Regulatory trends	Shaesta Wahedally – Head of Client Onboarding Grady Laurie – CCO
Governance	• Business Risk Framework • Regulatory applicability • Compliance oversight and activity • Third line of defence	Grady Laurie – CCO Richard Heading – CFO / Head of Risk
People	• Key person and succession • Talent acquisition and retention • Staff wellbeing • Staff performance • Key person • Culture	Kevin Ayles – HR

In turn, secondary risks, which can result from any of the above primary risks, are identified as: reputational, client loss, legal or regulatory sanction, and cost.

d) Lines of defence

Everyone in the business is responsible for risk, with the Framework underpinned by three lines of defence:

-First line: senior managers and business operations are responsible for operating a risk and control environment that adheres to quality standards and regulatory requirements;

-Second line: oversight functions such as Compliance and Group Risk;

-Third line: independent, external assurance on the adequacy and effectiveness of the Group's risk management, control and governance processes.

Governance arrangements

The plc Board has ultimate responsibility for risk and the oversight of the risk management process across the Group. Recognising that risk is inherent in all of the Group's business dealings and in the markets and instruments in which the Group operates, it places a high priority on ensuring an integrated approach and a strong risk management culture, with accountability at all levels. Effective risk management and strong internal controls are integral to the business model and are reflected in the risk management framework adopted within the business.

As part of its responsibility for the oversight of the risk management process, the Board determines its appetite for all significant risk categories identified across the business.

This defines the level of risk each business unit is willing to take to support its strategic and business objectives, and encourages an appropriate balance between risk and benefit in a controlled and regulatory compliant context, taking into account the interests of clients, the market, our people and shareholders as well as any capital or other regulatory requirements.

The plc Board delegates oversight of the risk management framework to the Head of Business Risk, and has delegated authority to the Audit Committee to provide oversight and independent challenge in relation to internal controls, risk management systems and procedures, and external financial reporting; the plc Board itself formally discusses risk across the business during its scheduled meetings. The Board of Record Currency Management Limited, being the UK regulated entity and main trading subsidiary within the Group, is the delegated decision-making body for the day-to-day operation of that business and includes certain of the executive Board members of Record plc and other senior personnel within the business.

<u>Executive Risk committee</u>

The Executive Risk Committee oversees the implementation of the Group Risk Framework across the Gorup and is responsible for identification and review of risks and incidents and mitigating controls, Risk forms a standing agenda item for each of the entity Board discussions, with the Head of Risk presenting a risk report to each meeting.

<u>Diversity and inclusion</u>

The Record plc Board inclusion and diversity policy sets out the Board's stance on diversity and inclusion at the management level as well as across the workforce. The overriding objective is to ensure that inclusion and diversity is cultivated through a clear tone from the top, with the directors of Record plc and senior management championing both.

<u>Relevant external directorships</u>

Record Currency Management Limited Director	Relevant external directorships
Richard Heading	(All appointments within the Group)
Shaesta Wahedally	(All appointments within the Group)
Kevin Ayles	(All appointments within the Group)
Tom Arnold	(All appointments within the Group)
Jan Witte	(All appointments within the Group)

Own funds held

The following tables summarise the composition of regulatory capital for Record Currency Management Limited based on the audited financial statements as at 31 March 2024. Capital comprises share capital, share premium, profit and loss and other reserves – the Group does not hold additional Tier 1 or Tier 2 capital. Further information on Record's capital management and financial resources is included in Record's Year Ended 31 March 2024 Report & Accounts .

Element		Amount (GBP thousands)
1	**OWN FUNDS**	28,238
2	**TIER 1 CAPITAL**	28,238
3	**COMMON EQUITY TIER 1 CAPITAL**	28,238
4	Fully paid up capital instruments	10
5	Share premium	-
6	Retained earnings	28,228
7	Accumulated other comprehensive income	-
8	Other reserves	-
9	Adjustments to CET1 due to prudential filters	-
10	Other funds	-
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-
19	CET1: Other capital elements, deductions and adjustments	-
20	**ADDITIONAL TIER 1 CAPITAL**	-
21	Fully paid up, directly issued capital instruments	-
22	Share premium	-
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-
24	Additional Tier 1: Other capital elements, deductions and adjustments	-
25	**TIER 2 CAPITAL**	-
26	Fully paid up, directly issued capital instruments	-
27	Share premium	-
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-
29	Tier 2: Other capital elements, deductions and adjustments	-

OWN FUNDS: Reconciliation of regulatory own funds to balance sheet in the audited financial statements	Amount (GBP thousands)
ASSETS	
Non-current assets	-
Current assets	58,355
Total Assets	**58,355-**
LIABILITIES	
Current liabilities	30,117
Non-current liabilities	-
Total Liabilities	**30,117**
TOTAL NET ASSETS	**28,238**
SHAREHOLDERS EQUITY	
Issued share capital	10
Retained earnings	28,228
TOTAL SHAREHOLDERS EQUITY	**28,238**

Own funds requirement

RCML's own funds threshold requirement, as at 30-Jun 2024, is approximately £7.3m. Key contributors to this figure are summarised as follows:

Reporting requirement	Amount (GBP thousands)
Sum of K-AUM, K-CMH and K-ASA	355
Sum of K-COH and K-DTF	446
Sum of K-NPR, K-CMG, K-TCD, K-CON	-
Fixed overheads requirement	6,361

We assess the adequacy of our own funds by considering 1) potential harms to our business, our clients and the markets in which we operate, over and above those defined by k-factors, and 2) own funds required which would be required to facilitate an orderly wind-down. Potential harms combine risks for which we consider additional risk capital to be appropriate – cyber-attack, operational error, staff departures, product viability and economic recession – and model these assuming these happen in tandem with each other, taking into account correlation, using a Monte Carlo approach.

Remuneration policy and practices

a) Remuneration Committee

The Remuneration Committee comprises of the three independent non-executive Directors and the Chairman of Record plc, and is responsible for agreeing the remuneration policy for the Group. This includes the Bonus Scheme, the Share Scheme, the Joint Share Ownership Plan ("JSOP"), the Long Term Incentive Plan ("LTIP"), the Share Incentive Plan ("SIP") and the principles for salary awards and performance related pay; all factors which are considered by the Committee when determining Directors' remuneration.

b) Remuneration principles and policy – overview

Record's approach to remuneration is driven by long-term thinking to promote the sustainable growth of the Group. Identifying, developing and appropriately compensating our high performers, at all levels of the business, is critical to long-term business success and is aligned to both clients' and shareholders' interests.

Our key remuneration principles are:

- A consistent remuneration structure for all employees, not just Directors, which is transparent and straightforward;
- Our employees should be rewarded and incentivised to deliver profitable business growth;
- Remuneration should comprise: (i) fixed salary, pension and benefits; (ii) variable remuneration based on individual and Company performance, and (iii) longer-term incentives based primarily on Company performance; and
- Executive Directors' remuneration should include a deferred element which is satisfied by payment in the form of equity.

Record's remuneration policy is designed to promote the long-term, sustainable growth of the Group, and to be consistent with the prudent management of risk. In considering the remuneration policy, the Remuneration Committee seeks to ensure remuneration is structured in a way that attracts, motivates and retains high caliber staff, rewards individual and corporate performance and is aligned with appropriate risk and compliance standards and the long-term interests of shareholders, clients, employees and other stakeholders.

The three-year remuneration policy in place at 31 March 2024 was approved by shareholders at the AGM in 2022. The Remuneration Committee believes the policy remains appropriate and no further changes are required.

The different remuneration elements are described in further detail under the Remuneration Policy section below.

The vast majority of our colleagues are shareholders and have a personal and vested interest in the long-term success of Record through equity ownership. It remains our policy to discuss any substantive proposed changes to the Group's remuneration structures with key external shareholders in advance of any implementation.

c) Remuneration and Risk Management

The Group has a prudent approach to risk management and meets the required standards under the MIFIDPRU Remuneration Code. Record is a non-SNI firm, which means that the basic and standard remuneration requirements apply. In accordance with the Code the Group has a remuneration policy statement and has defined its Material Risk Takers (MRT's). The remuneration policy promotes effective risk management and incentivises sustained long-term value creation consistent with the Group's strategic goals and does not encourage excessive short-term risk taking. All staff defined as MRT's are required to take a significant proportion of variable remuneration in share-based payments that are required to be held for up to three years. Furthermore, the links between conduct risk, conflicts of interest and remuneration are reflected in the Group's Conduct Risk framework.

d) Differences in remuneration policy for Executive Directors compared to other employees

There are common remuneration structures for Executive Directors and employees, those being base salary, benefits, pension, Group Bonus Scheme, Share Scheme and LTIP.

A commission scheme in place for rewarding the introduction of sustainable new business does not include Directors, and pension contribution rates for Directors and employees were aligned with effect from April 2021.

e) Remuneration Policy as at 31 March 2024

The following disclosures should be read in conjunction with the Remuneration Report on pages 77 to 95 of the 2024 Annual Report.

The MIFIDPRU Remuneration Code requires disclosure of remuneration policy and practices for those categories of staff whose professional activities have a material impact on a firm's risk profile in a manner that is appropriate to the size, internal organisation and the nature, scope and complexity of its activities. Record deems such personnel to be the MRT's within the business. The main elements of the remuneration policy for MRT's are given below.

f) Fixed pay

<u>Base Salary/Fees</u>

All MRT's receive either a salary (for employees) or fees (for non-Executive Directors), which are commensurate with the incumbent's role, responsibilities and experience and with reference to competitive market rates in the industry.

<u>Benefits and Pensions</u>

All MRT's are entitled to receive a range of benefits, which are provided in line with all employees across the Group. Similarly, all salaried MRT's are entitled to join the Group Personal Pension scheme, with the choice of receiving their employer pension contributions as cash if they elect not to make contributions into the scheme. Non-salaried non-Executive Directors do not receive any additional benefits and are not entitled to join the pension scheme.

g) Variable pay

<u>Short-term incentives</u>

All salaried Staff are entitled to join the Bonus Scheme, which rewards individual and collective performance and is set within a range of 25% to 35% of pre-bonus operating profit. MRT's are required to take a proportion of their payment in shares (subject to a lock-up restriction for up to three years), with the option to elect a further proportion in shares. The Bonus Scheme rules contain clawback provisions, which allow for the repayment of bonus payments in the event of a material breach of contract, material misconduct or a restatement of financial accounts which would have led to a reduction in any bonus award.

<u>Long-Term Incentives</u>

The Record Share Scheme

With the exception of Record plc Executive Directors (from September 2022), all salaried staff are eligible to participate in the Record Share Scheme, which allows the Remuneration Committee to grant options over up to 2% per annum of the market capitalisation of Record plc.

Performance conditions applicable to options formerly granted to Executive Directors differ from those granted to other MRT's and employees. The former are subject to performance conditions based on Record's annual cumulative Earnings per Share (EPS) growth and vest on a stepped basis from three to five years, and are also subject to clawback provisions. For other employees and MRT's, performance conditions for options are based on the employee being in employment on the relevant vesting date and to the extent personal performance conditions have been satisfied. All awards made to staff other than Executive Directors vest between one and four years from grant, subject to the performance conditions being met and are not subject to clawback provisions.

Non-Executive Directors and the Chairman are not entitled to join the Share scheme.

The Record Joint Share Ownership Plan ("JSOP")

The JSOP scheme was introduced as part of Record's succession and talent management strategy to accelerate the acquisition of shares for the next generation of management. The scheme is designed to further align the contribution and retention of key staff with business performance.

With the exception of Executive Directors, all salaried staff are eligible to participate in the JSOP and awards are made by management on a discretionary basis. A financial commitment is required to participate and shares are purchased at market price (the "hurdle"). Vesting is over a four-year period with one quarter of the shares vesting each year. Upon vesting, the employee receives any gain in share price above the hurdle as shares with a two-year holding period.

Long Term Incentive Plan ("LTIP")

The LTIP was introduced to align senior management remuneration with Record's long-term business success. Executive Directors, MRT's and staff are eligible to participate. The maximum opportunity is an award of 150% of base salary. Any award will be delivered in shares. Awards vest at the end of a three-year performance period after which any shares must be held for a two-year post vesting holding period. Vesting is based two-thirds on EPS growth and one-third on relative TSR compared with the FTSE Small Cap index.

h) Quantitative information on remuneration of MRT's - Year Ended 31 March 2024

For the year ended 31 March 2024, the business considers that it operated in one business area, that of the provision of currency and derivatives management services. Aggregate remuneration paid to MRT's in the year was £8.6m (comprising salary and/or fees, plus pre-deferral bonus, and employer pension contributions[1]), which was paid to 22 MRT's, broken down as follows:

Fixed remuneration	Variable remuneration (cash)	Variable remuneration (shares)	Total
£4.5m	£2.8m	£1.3m	£8.6m

[1] Does not include share options, commission and LTIP

Investment policy

Not applicable

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